

## Message Text

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ACTION XMB-04

INFO OCT-01 AF-04 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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R 161455Z DEC 74

FM AMCONSUL LUANDA

TO SECSTATE WASHDC 3124

C O N F I D E N T I A L LUANDA 1093

E.O. 11652: GDS

TAGS: BPRO AO

SUBJECT: FCIA CREDIT INSURANCE REQUEST

REF: STATE 262717

1. POST PERCEIVES NO OBJECTION TO ISSUANCE OF CREDIT INSURANCE.  
THE FOLLOWING INFORMATION IS RESPONSIVE TO THE REQUEST IN PARA  
THREE OF REFTEL.

2. THE SMALL CONTRACTORS ARE IN FINANCIAL TROUBLE AND SOME OF  
THESE FIRMS HAVE GONE BANKRUPT. THE LARGER CONSTRUCTION CONTRACTORS  
ARE FINANCIALLY VIABLE AND LOOK FOR A FAIRLY GOOD YEAR IN 1975 IF  
LARGE GOVERNMENT PROJECTS ARE CARRIED OUT. BUILDING CONTRACTORS  
ARE IN BAD SHAPE AND WORK ON MANY BUILDINGS HAS SLOWED CON-  
SIDERABLY. POTENTIAL INVESTORS ARE NOT FINANCING NEW STARTS AT  
THIS TIME. THE PICTURE FOR 1975 IS BETTER, ASSUMING A RELATIVELY  
STABLE POLITICAL SITUATION. JUST TWO EXAMPLES THAT CAME TO MY  
ATTENTION IN THE PAST FEW DAYS ARE COLGATE PALMOLIVE PEET'S PLANS  
TO CONTINUE WITH A PLANNED 500,000 DOLLAR INVESTMENT FOR A FACTORY  
IN LUANDA, AND A MULTIMILLION DOLLAR PARSONS AND WHITEMORE PULP  
AND PAPER TURNKEY PROJECT THAT WILL GET UNDERWAY IN 1975 NEAR  
NOVA LISBOA.

3. THE GOVERNMENT SAYS IT WILL MOVE AHEAD WITH AN AMBITIOUS SCHEME  
TO PROVIDE LUANDA'S SLUMS WITH WATER, SEWERS AND ELECTRICITY AND  
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EXPECTS TO INVEST ABOUT ONE BILLION ESCUDOS (APPROXIMATELY 25

ESCUDOS EQUAL ONE U.S. DOLLAR AT THE OFFICIAL RATE) IN 1975. SOREL HAS ALREADY BEEN APPROACHED INFORMALLY BY A CONSORTIUM OF THREE FIRMS FOR CLOSE TO ONE MILLION DOLLARS WORTH OF CONSTRUCTION EQUIPMENT FOR THE SLUM REHABILITATION PROJECT. IN ADDITION, THE GOVERNMENT PLANS LARGE PROJECTS IN ROADS, PORTS AND MINING. THE GOVERNMENT IS CONSULTING WITH THE LIBERATION GROUPS ON ITS PLANS AND HAS PROVIDED BRIEFINGS TO THEM ON BROAD SECTORS OF THE ECONOMY. THE GROUPS ARE NOT YET IN ANY POSITION TO DECIDE PRIORITIES, AS THEY STILL HAVE NOT COME TO AN AGREEMENT AMONG THEMSELVES ON THE SHAPE OF A COALITION GOVERNMENT. INDICATIONS ARE, HOWEVER, THAT ALL THREE GROUPS FAVOR THE IMMEDIATE IMPLEMENTATION OF THE SLUM REHABILITATION PROJECT AND THEY SEEM INTERESTED AS WELL IN OTHER LARGE SCALE PUBLIC WORKS.

4. AFTER A PERIOD OF DEEP GLOOM LAST MONTH WHEN THE LIBERATION GROUPS ARRIVED IN THE COUNTRY AND MAJOR VIOLENCE ENSUED, SOME BUSINESSMEN HAVE MADE CONTACT WITH THEM AND SEEM REASSURED THAT SINCERE EFFORTS WILL BE MADE TO MAINTAIN DOMESTIC PEACE AND KEEP THE ECONOMY MOVING. OTHERS IN THE PRIVATE SECTOR ARE PESSIMISTIC AND BELIEVE THE ECONOMY WILL STAGNATE DURING THE TRANSITIONAL PERIOD. THE VIEW YOU GET HERE OF PROSPECTS DEPENDS UPON WHOM YOU TALK WITH; BUILDING CONTRACTORS AND AGRICULTURAL MACHINERY SUPPLIERS HAVE BEEN HURT AND ARE REALLY BLUE, WHILE HEAVY EQUIPMENT SUPPLIERS AND GOVERNMENT CONTRACTORS ARE CAUTIOUSLY OPTIMISTIC. EVEN IN AGRICULTURAL EQUIPMENT, THE PICTURE IS NOT UNIFORMLY POOR. IN THE NORTH, WHERE THERE HAS BEEN A GOOD DEAL OF TROUBLE, SALES ARE DOWN SHARPLY, BUT IN THE CENTRAL AND SOUTHERN PORTIONS OF THE COUNTRY, WHERE MAJOR VIOLENCE DID NOT OCCUR, SALES OF AGRICULTURAL EQUIPMENT HAVE HELD UP FAIRLY WELL. A TRULY SERIOUS PROBLEM IS THE LACK OF LOCAL CREDIT; SALES ARE ON A CASH BASIS, A FACTOR THAT HITS ESPECIALLY HARD AT MACHINERY SALES.

5. AS FOR SOREL, THE COMPANY EXPECTED A 30 TO 50 PERCENT INCREASE IN 1974 OVER 1973. AS IT TURNED OUT, SALES WILL JUST ABOUT EQUAL 1973, WHICH THE COMPANY CONSIDERS ACCEPTABLE IN LIGHT OF ALL THAT HAS TRANSPIRED THIS YEAR. THE FIRM IS COUNTING ON INCREASED SALES IN 1975 AND IS MAKING ARRANGEMENTS FOR LARGE PURCHASES FROM THE U.S., ENGLAND AND BELGIUM. SOREL STOCKS BETWEEN ONE AND TWO MILLION DOLLARS WORTH OF PARTS AND IF SALES ARE OFF CLAIMS IT CAN SUPPORT ITSELF ON PARTS AND SERVICE ALONE.

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6. ONE TROUBLESOME POINT FOR SOME PEOPLE IS THE FACT THAT NO GUARANTEES ISSUED BY THE PRESENT GOVERNMENT WILL BE BINDING ON THE NEW GOVERNMENT OF AN INDEPENDENT ANGOLA, NOR WILL THE NEW GOVERNMENT BE OBLIGED TO CONTINUE PROJECTS INSTITUTED BY THE PRESENT ADMINISTRATION. I HAVE COVERED THESE POINTS WITH THE HIGH COMMISSIONER AND THE SENIOR ECONOMIC OFFICIAL IN THE GOVERNMENT. BOTH ARE CONVINCED THERE WILL BE NO PROBLEM ON THIS SCORE AND THE CONSULT-

ATIONS WITH THE LIBERATION GROUPS ARE DESIGNED TO FILL THIS  
CONSTITUTIONAL VOID BY ENSURING THAT TODAY'S DECISIONS ARE ACCEPTABLE  
TO TOMORROW'S LEADERS. GOOD FAITH IS THE CURRENCY IN USE HERE,  
BUT THERE IS NO OTHER INSTRUMENT AVAILABLE AT THIS CRUCIAL TIME.  
KILLORAN

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